

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Tobacco	County Gladwin
Fiscal Year End March 31, 2008	Opinion Date July 7, 2008	Date Audit Report Submitted to State July 9, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

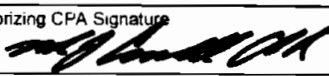
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

July 7, 2008

To the Township Board  
Township of Tobacco  
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Tobacco, Gladwin County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Tobacco's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Tobacco, Gladwin County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Tobacco covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$827,291.62 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$599,532.14 from governmental activities. Governmental activities had a \$124,031.53 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Fire Fund, Garbage Fund, Petrick Pine Fund, Daleview Fund, Heron Cove Fund, and the Current Tax Collection Fund.

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

**CONDENSED FINANCIAL INFORMATION**

For the year ended March 31, 2008

	<u>Total Governmental Activities 2007</u>	<u>Total Governmental Activities 2008</u>
Current Assets	564 349	700 939
Capital Assets	<u>138 911</u>	<u>126 353</u>
Total Assets	<u>703 260</u>	<u>827 292</u>
Current Liabilities	-	-
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets:		
Invested in Capital Assets	138 911	126 354
Unrestricted	<u>564 349</u>	<u>700 938</u>
Total Net Assets	<u>703 260</u>	<u>827 292</u>

	<u>Total Governmental Activities 2007</u>	<u>Total Governmental Activities 2008</u>
Program Revenues:		
Fees and Charges for Services	151 165	191 190
General Revenues:		
Property Taxes	201 757	212 896
Other Taxes	-	150
State Revenue Sharing	177 803	179 825
Interest	11 796	11 875
Miscellaneous	<u>11 779</u>	<u>3 596</u>
Total Revenues	<u>554 300</u>	<u>599 532</u>
Program Expenses:		
Legislative	16 981	26 922
General Government	105 139	105 342
Public Safety	119 614	143 443
Public Works	333 587	199 793
Other	<u>7 679</u>	<u>-</u>
Total Expenses	<u>583 000</u>	<u>475 500</u>
Increase (Decrease) in Net Assets	(28 700)	124 032
Net Assets, April 1	<u>731 960</u>	<u>703 260</u>
Net Assets, March 31	<u>703 260</u>	<u>827 292</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Fire Fund, Garbage Fund, Petrick Pine Fund, Heron Cove Fund, and the Daleview Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$66,383.42.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$1,669.76 in fixed assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk, Roshelle Brubaker at 989-435-4525.

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	665 024 91
Taxes receivable	20 330 32
Special assessments receivable	<u>15 583 00</u>
Total Current Assets	<u>700 938 23</u>
NON-CURRENT ASSETS:	
Capital Assets	230 475 76
Less: Accumulated Depreciation	<u>(104 122 37)</u>
Total Non-current Assets	<u>126 353 39</u>
TOTAL ASSETS	<u>827 291 62</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	126 353 39
Unrestricted	<u>700 938 23</u>
Total Net Assets	<u>827 291 62</u>
TOTAL LIABILITIES AND NET ASSETS	<u>827 291 62</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	26 922 32	-	(26 922 32)
General government	105 342 15	46 610 08	(58 732 07)
Public safety	143 443 49	1 776 50	(141 666 99)
Public works	199 792 65	142 803 38	(56 989 27)
<b>Total Governmental Activities</b>	<u>475 500 61</u>	<u>191 189 96</u>	<u>(284 310 65)</u>
General Revenues:			
Property taxes			212 896 22
Other taxes			150 00
State revenue sharing			179 825 07
Interest			11 874 50
Miscellaneous			<u>3 596 39</u>
<b>Total General Revenues</b>			<u>408 342 18</u>
<b>Change in net assets</b>			124 031 53
<b>Net assets, beginning of year</b>			<u>703 260 09</u>
<b>Net Assets, End of Year</b>			<u>827 291 62</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
March 31, 2008

	<u>General</u>	<u>Garbage</u>	<u>Fire Protection</u>
<b><u>Assets</u></b>			
Cash in bank	356 233 12	111 313 33	180 026 90
Taxes receivable	8 078 88	-	12 251 44
Special assessments receivable	-	14 940 00	-
Due from other funds	<u>12 007 05</u>	<u>-</u>	<u>155 58</u>
Total Assets	<u><u>376 319 05</u></u>	<u><u>126 253 33</u></u>	<u><u>192 433 92</u></u>
<b><u>Liabilities and Fund Equity</u></b>			
Liabilities:			
Due to other funds	<u>-</u>	<u>-</u>	<u>300 00</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>300 00</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>376 319 05</u>	<u>126 253 33</u>	<u>192 133 92</u>
Total fund equity	<u><u>376 319 05</u></u>	<u><u>126 253 33</u></u>	<u><u>192 133 92</u></u>
Total Liabilities and Fund Equity	<u><u>376 319 05</u></u>	<u><u>126 253 33</u></u>	<u><u>192 433 92</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
8 213 12	655 786 47
-	20 330 32
643 00	15 583 00
<u>510 40</u>	<u>12 673 03</u>
<u>9 366 52</u>	<u>704 372 82</u>

<u>3 134 59</u>	<u>3 434 59</u>
<u>3 134 59</u>	<u>3 434 59</u>

<u>6 231 93</u>	<u>700 938 23</u>
<u>6 231 93</u>	<u>700 938 23</u>
<u>9 366 52</u>	<u>704 372 82</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 700 938 23

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	230 475 76
Accumulated depreciation	<u>(104 122 37)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 827 291 62

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
Year ended March 31, 2008

	<u>General</u>	<u>Garbage</u>	<u>Fire Protection</u>
Revenues:			
Property taxes	69 727 68	-	143 168 54
Other taxes	150 00	-	-
Licenses and permits	4 063 91	-	-
State revenue sharing	179 825 07	-	-
Charges for services – PTAF	37 522 67	-	-
Charges for services – cemetery	6 800 00	-	-
Interest	10 369 76	464 50	936 62
Special assessments	-	137 610 00	-
Miscellaneous	3 572 24	-	24 15
	<u>312 031 33</u>	<u>138 074 50</u>	<u>144 129 31</u>
Total revenues			
Expenditures:			
Legislative:			
Township Board	26 922 32	-	-
General government:			
Supervisor	12 012 85	-	-
Elections	2 166 48	-	-
Assessor	29 590 85	-	-
Clerk	15 146 18	-	-
Board of Review	619 00	-	-
Treasurer	28 204 95	-	-
Building and grounds	6 021 77	-	-
Cemetery	9 202 64	-	-
Public safety:			
Fire protection	-	-	117 974 76
Planning	6 924 33	-	-
Zoning	6 612 02	-	-
Police protection	82 85	-	-
Public works:			
Highways and streets	66 383 42	-	-
Street lights	1 754 17	-	-
Sanitation	-	126 930 70	-
Capital outlay	1 669 76	-	-
	<u>213 313 59</u>	<u>126 930 70</u>	<u>117 974 76</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	98 717 74	11 143 80	26 154 55
Fund balances, April 1	<u>277 601 31</u>	<u>115 109 53</u>	<u>165 979 37</u>
Fund Balances, March 31	<u><u>376 319 05</u></u>	<u><u>126 253 33</u></u>	<u><u>192 133 92</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	212 896 22
-	150 00
-	4 063 91
-	179 825 07
-	37 522 67
-	6 800 00
103 62	11 874 50
5 193 38	142 803 38
-	3 596 39
<u>5 297 00</u>	<u>599 532 14</u>

-	26 922 32
-	12 012 85
-	2 166 48
-	29 590 85
-	15 146 18
-	619 00
-	28 204 95
-	6 021 77
-	9 202 64
-	117 974 76
-	6 924 33
-	6 612 02
-	82 85
4 724 36	71 107 78
-	1 754 17
-	126 930 70
-	1 669 76
<u>4 724 36</u>	<u>462 943 41</u>

572 64	136 588 73
<u>5 659 29</u>	<u>564 349 50</u>
<u>6 231 93</u>	<u>700 938 23</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 136 588 73

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(14 226 96)
Capital Outlay	<u>1 669 76</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 124 031 53

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Tobacco, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Tobacco. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 2.2132 mills, and the taxable value was \$96,239,019.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-30 years
Vehicles and equipment	5-15 years

**Compensated Absences (Vacation and Sick Leave)**

Employees are not allowed to accumulate vacation and sick pay.

**Post-employment Benefits**

The Township provides no post-employment benefits to past employees.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority. The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>694 477 30</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>616 078 91</u>
Total Deposits	<u>716 078 91</u>

The Township of Tobacco did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments (continued)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<b><u>Governmental Activities:</u></b>				
Land	5 000 00	-	-	5 000 00
Buildings and improvements	36 098 00	-	-	36 098 00
Equipment	187 708 00	1 669 76	-	189 377 76
<b>Total</b>	228 806 00	1 669 76	-	230 475 76
Accumulated Depreciation	(89 895 41)	(14 226 96)	-	(104 122 37)
<b>Net Capital Assets</b>	138 910 59	(12 557 20)	-	126 353 39

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2008, was \$6,548.20.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Tobacco does not issue building permits. Building permits are issued by the County of Gladwin.

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	300 00	Fire	300 00
General	3 134 59	Heron Cove	3 134 59
General	8 572 46	Current Tax Collection	9 238 44
Fire	155 58		
Heron Cove	<u>510 40</u>		
Total	<u>12 673 03</u>	Total	<u>12 673 03</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property taxes	76 615 00	76 615 00	69 727 68	(6 887 32)
Other taxes	160 00	160 00	150 00	(10 00)
Licenses and permits	3 150 00	3 150 00	4 063 91	913 91
State revenue sharing	165 000 00	165 000 00	179 825 07	14 825 07
Charges for services – PTAF	-	-	37 522 67	37 522 67
Charges for services – cemetery	4 000 00	4 000 00	6 800 00	2 800 00
Interest	4 025 00	4 025 00	10 369 76	6 344 76
Miscellaneous	8 550 00	8 550 00	3 572 24	(4 977 76)
<b>Total revenues</b>	<b>261 500 00</b>	<b>261 500 00</b>	<b>312 031 33</b>	<b>50 531 33</b>
<b>Expenditures:</b>				
Legislative:				
Township Board	32 440 00	34 040 00	26 922 32	(7 117 68)
General government:				
Supervisor	11 860 00	12 160 00	12 012 85	(147 15)
Elections	2 250 00	2 250 00	2 166 48	(83 52)
Assessor	31 500 00	31 500 00	29 590 85	(1 909 15)
Clerk	15 780 00	15 780 00	15 146 18	(633 82)
Board of Review	850 00	950 00	619 00	(331 00)
Treasurer	26 490 00	28 340 00	28 204 95	(135 05)
Building and grounds	7 750 00	7 750 00	6 021 77	(1 728 23)
Cemetery	8 875 00	12 375 00	9 202 64	(3 172 36)
Public safety:				
Planning	7 200 00	7 700 00	6 924 33	(775 67)
Zoning	7 700 00	7 700 00	6 612 02	(1 087 98)
Police protection	200 00	200 00	82 85	(117 15)
Public works:				
Highways and streets	160 105 00	158 455 00	66 383 42	(92 071 58)
Street lights	2 000 00	2 000 00	1 754 17	(245 83)
Capital outlay	2 500 00	1 800 00	1 669 76	(130 24)
Contingency	5 000 00	-	-	-
<b>Total expenditures</b>	<b>322 500 00</b>	<b>323 000 00</b>	<b>213 313 59</b>	<b>(109 686 41)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(61 000 00)</b>	<b>(61 500 00)</b>	<b>98 717 74</b>	<b>160 217 74</b>
<b>Fund balance, April 1</b>	<b>61 000 00</b>	<b>61 500 00</b>	<b>277 601 31</b>	<b>216 101 31</b>
<b>Fund Balance, March 31</b>	<b>-</b>	<b>-</b>	<b>376 319 05</b>	<b>376 319 05</b>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GARBAGE FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	600 00	600 00	464 50	(135 50)
Special assessments	<u>99 320 00</u>	<u>99 320 00</u>	<u>137 610 00</u>	<u>38 290 00</u>
Total revenues	<u>99 920 00</u>	<u>99 920 00</u>	<u>138 074 50</u>	<u>38 154 50</u>
Expenditures:				
Public works:				
Sanitation	115 700 00	133 920 00	126 930 70	(6 989 30)
Contingency	<u>18 220 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>133 920 00</u>	<u>133 920 00</u>	<u>126 930 70</u>	<u>(6 989 30)</u>
Excess (deficiency) of revenues over expenditures	(34 000 00)	(34 000 00)	11 143 80	45 143 80
Fund balance, April 1	<u>34 000 00</u>	<u>34 000 00</u>	<u>115 109 53</u>	<u>81 109 53</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>126 253 33</u>	<u>126 253 33</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

**BUDGETARY COMPARISON SCHEDULE – FIRE PROTECTION FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	135 300 00	135 300 00	143 168 54	7 868 54
Interest	1 000 00	1 000 00	936 62	(63 38)
Miscellaneous	-	-	24 15	24 15
Total revenues	<u>136 300 00</u>	<u>136 300 00</u>	<u>144 129 31</u>	<u>7 829 31</u>
Expenditures:				
Public safety:				
Fire protection	116 300 00	119 300 00	117 974 76	(1 325 24)
Contingency	<u>50 000 00</u>	<u>47 000 00</u>	-	<u>(47 000 00)</u>
Total expenditures	<u>166 300 00</u>	<u>166 300 00</u>	<u>117 974 76</u>	<u>(48 325 24)</u>
Excess (deficiency) of revenues over expenditures	(30 000 00)	(30 000 00)	26 154 55	56 154 55
Fund balance, April 1	<u>30 000 00</u>	<u>30 000 00</u>	<u>165 979 37</u>	<u>135 979 37</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>192 133 92</u>	<u>192 133 92</u>



TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Township Board:	
Wages	5 040 00
Professional services	2 200 00
Pension	6 548 20
Insurance	4 533 00
Payroll taxes	4 432 92
Memberships and dues	1 715 91
Miscellaneous	2 452 29
	<u>26 922 32</u>
Supervisor:	
Salary	11 460 00
Supplies	552 85
	<u>12 012 85</u>
Elections:	
Wages	1 311 25
Miscellaneous	855 23
	<u>2 166 48</u>
Assessor:	
Contracted services	28 769 60
Supplies	821 25
	<u>29 590 85</u>
Clerk:	
Salary – Clerk	14 520 00
Miscellaneous	626 18
	<u>15 146 18</u>
Board of Review:	
Wages	384 00
Miscellaneous	235 00
	<u>619 00</u>
Treasurer:	
Salary – Treasurer	19 140 00
Salary – Deputy	562 00
Tax roll preparation	744 90
Supplies	7 353 26
Miscellaneous	404 79
	<u>28 204 95</u>
Building and grounds:	
Wages – janitor	2 535 00
Operating supplies	10 81
Contracted services	380 00
Utilities	3 095 96
	<u>6 021 77</u>
Cemetery:	
Contracted services	8 076 00
Utilities	335 97
Supplies	790 67
	<u>9 202 64</u>
Planning:	
Wages	6 107 39
Miscellaneous	816 94
	<u>6 924 33</u>
Zoning:	
Wages	4 330 00
Supplies	2 282 02
	<u>6 612 02</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Police protection:	
Wages	50 00
Supplies	<u>32 85</u>
	<u>82 85</u>
Highways and streets:	
Maintenance	<u>66 383 42</u>
Street lighting	<u>1 754 17</u>
Capital outlay	<u>1 669 76</u>
Total Expenditures	<u>213 313 59</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS  
March 31, 2008

	<u>Petrick Pine</u>	<u>Daleview</u>	<u>Heron Cove</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	3 268 30	1 750 96	3 193 86	8 213 12
Special assessments receivable	493 00	150 00	-	643 00
Due from other funds	-	-	510 40	510 40
Total Assets	<u>3 761 30</u>	<u>1 900 96</u>	<u>3 704 26</u>	<u>9 366 52</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	-	-	3 134 59	3 134 59
Total liabilities	-	-	<u>3 134 59</u>	<u>3 134 59</u>
Fund balances:				
Unreserved:				
Undesignated	3 761 30	1 900 96	569 67	6 231 93
Total fund balances	<u>3 761 30</u>	<u>1 900 96</u>	<u>569 67</u>	<u>6 231 93</u>
Total Liabilities and Fund Balances	<u>3 761 30</u>	<u>1 900 96</u>	<u>3 704 26</u>	<u>9 366 52</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS**  
Year ended March 31, 2008

	<u>Petrick Pine</u>	<u>Daleview</u>	<u>Heron Cove</u>	<u>Total</u>
Revenues:				
Special assessments	2 960 00	1 650 00	583 38	5 193 38
Interest	<u>9 27</u>	<u>4 54</u>	<u>89 81</u>	<u>103 62</u>
Total revenues	<u>2 969 27</u>	<u>1 654 54</u>	<u>673 19</u>	<u>5 297 00</u>
Expenditures:				
Public works:				
Highways and streets:				
Wages	200 00	200 00	200 00	600 00
Contracted services	1 200 00	1 140 00	-	2 340 00
Repairs and maintenance	1 604 36	-	-	1 604 36
Utilities	160 00	-	-	160 00
Miscellaneous	<u>20 00</u>	<u>-</u>	<u>-</u>	<u>20 00</u>
Total expenditures	<u>3 184 36</u>	<u>1 340 00</u>	<u>200 00</u>	<u>4 724 36</u>
Excess (deficiency) of revenues over expenditures	(215 09)	314 54	473 19	572 64
Fund balances, April 1	<u>3 976 39</u>	<u>1 586 42</u>	<u>96 48</u>	<u>5 659 29</u>
Fund Balances, March 31	<u>3 761 30</u>	<u>1 900 96</u>	<u>569 67</u>	<u>6 231 93</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>26 387 55</u>	<u>2 963 555 49</u>	<u>2 951 252 21</u>	<u>38 690 83</u>
<u>Liabilities</u>				
Due to other funds	15 673 63	355 995 60	362 430 79	9 238 44
Due to others	<u>10 713 92</u>	<u>2 607 559 89</u>	<u>2 588 821 42</u>	<u>29 452 39</u>
Total Liabilities	<u>26 387 55</u>	<u>2 963 555 49</u>	<u>2 951 252 21</u>	<u>38 690 83</u>

TOWNSHIP OF TOBACCO  
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2008

Cash on hand – beginning of year	<u>26 387 55</u>
Cash receipts:	
Taxes and assessments	2 956 921 71
Nonbusiness licenses – animal	226 50
Interest	<u>6 407 28</u>
Total cash receipts	<u>2 963 555 49</u>
Total beginning balance and cash receipts	<u>2 989 943 04</u>
Cash disbursements:	
Township General Fund	104 293 31
Township Garbage Fund	122 670 00
Township Fire Fund	130 917 10
Township Petrick Pine Fund	2 467 00
Township Daleview Fund	1 500 00
Township Heron Cove Fund	583 38
Gladwin County	1 429 054 10
Mid-Michigan Community College	107 557 64
Clare Gladwin Intermediate School District	171 307 82
Beaverton School District	872 853 22
Refunds	<u>8 048 64</u>
Total cash disbursements	<u>2 951 252 21</u>
Cash in Bank – End of Year	<u><u>38 690 83</u></u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

July 7, 2008

To the Township Board  
Township of Tobacco  
Gladwin County, Michigan

We have audited the financial statements of the Township of Tobacco for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Tobacco in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Tobacco  
Gladwin County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants